

## Community Development Commission

November 30, 2005

To: Each Supervisor

From: Carlos Jackson, Executive Director

**SUBJECT: FISCAL YEAR 2006 HUD APPROPRIATIONS**

On November 18<sup>th</sup>, Congress passed the Fiscal Year (FY) 2006 Transportation-Treasury-Housing and Judiciary appropriations bill (H.R. 3058). Congress rejected the Administration's proposal to eliminate the Community Development Block Grant (CDBG) program; however, funding for the CDBG formula has been reduced by 8.8% (\$3.04 million reduction). We are also anticipating that Congress will apply an across-the-board cut to domestic discretionary programs, which would further reduce CDBG formula funding by an additional 1 to 2% (\$3.12 to \$3.67 million reduction).

Other Community Development Commission (CDC)/Housing Authority (HA) programs were also slated for cuts. The HOME formula program is being reduced by 4.9% (\$676,014) and the Public Housing Capital Fund program will see a reduction of 4.5% (\$268,875). We will also see reductions to some of our other HUD-funded programs, including the Section 108 program and American Dream Downpayment homeownership program.

Please see the attached chart for the impact of these cuts to the County's CDBG, HOME, and Public Housing Capital Fund programs. For planning purposes, we are anticipating a 2% across-the-board cut to the already approved cuts. For the CDBG program, this would result in a \$3.67 million reduction in funding for the CDC's FY 2006-2007. Funding would be reduced from the current allocation of \$34.62 million to \$30.94 million. Of that amount, 20% is set-aside for administrative activities. The budget for administrative activities would be reduced to \$6.18 million from the current level of over \$6.92 million. The HOME program would be reduced from the current level of \$13.79 million to \$12.85 million (\$938,418 reduction) for the CDC FY 2006-2007. The Public Housing Capital Fund will see a decrease from the current level of \$5.97 million to \$5.59 million (\$382,997 reduction) for FY 2006-2007. The total decrease in funding from these three (3) programs is nearly \$5 million dollars. Of that amount, over \$4.1 million is funding for programs, while nearly \$900,000 is used for administrative activities.

The Section 8 Housing Choice Voucher program will receive an increase in funding at the national level for both the Housing Assistance Payments (HAP), which are paid to participating landlords, and Administrative Fees, which we retain to administer the program. However, it is unclear at this time as to how the Department of Housing and Urban Development (HUD) will distribute the funding to Public Housing Authorities (PHAs). HUD will fund PHAs based upon a three-month snapshot of their HAP from the

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previous FY. We do not know what three-month period HUD will use; therefore, we cannot project whether we will see an increase or a decrease in funding for payments to landlords for calendar year 2006. This funding mechanism, which HUD began using last year, results in some PHAs being over-funded while others are under-funded. At this time, we do not know how the County's Section 8 program will be impacted.

The President is expected to sign H.R. 3058 any day and Congress is expected to decide on the across-the-board cuts sometime in December. We are analyzing what the impact of these cuts will be to our programs and our operations. We will also be discussing with you some options for next FY to help minimize the impact that these cuts will have on our programs.

Should you have any questions in the meantime, feel free to call me at (323) 890-7400.

CJ/TG/TT/ds  
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#### Attachment

c: Each Deputy  
Housing Advisory Commission  
David Janssen, Chief Administrative Office  
James Blunt, Chief Administrative Office

## FY 2006 HUD APPROPRIATIONS IMPACT TO LOS ANGELES COUNTY

Program	FY 05-06 HUD Entitlement/Aut horized Funds	H.R. 3058, Congress approved FY 06 Appropriations	Anticipated 2% across-the-board cut to Congressionally approved FY 06 Appropriations	Projected 06-07 Decrease
<b>CDBG Formula</b>	<b>\$34,621,264</b>	<b>\$31,574,593</b>	<b>\$30,943,101</b>	<b>(\$3,678,163)</b>
<i>CDBG Admin.</i>	\$6,924,253	\$6,314,918	\$6,188,620	(\$735,633)
<b>HOME Formula</b>	<b>\$13,796,207</b>	<b>\$13,120,193</b>	<b>\$12,857,789</b>	<b>(\$938,418)</b>
<i>HOME Admin.</i>	\$1,379,621	\$1,312,019	\$1,285,779	(\$93,842)
<b>Capital Fund</b>	<b>\$5,975,000</b>	<b>\$5,706,125</b>	<b>\$5,592,003</b>	<b>(\$382,997)</b>
<i>Capital Fund Admin.</i>	\$597,500	\$570,612	\$559,200	(\$38,300)
Total Program	\$45,491,097	\$42,203,362	\$41,359,294	(\$4,131,803)
Total Admin.	\$8,901,374	\$8,197,549	\$8,033,599	(\$867,775)
<b>Total</b>	<b>\$54,392,471</b>	<b>\$50,400,911</b>	<b>\$49,392,893</b>	<b>(\$4,999,578)</b>